



County of Los Angeles Pension Savings Plan

Financial Statements and
Independent Auditor's Report
Years ended June 30, 2013 and 2012



County of Los Angeles Pension Savings Plan

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Independent Auditor's Report
Years ended June 30, 2013 and 2012

**COUNTY OF LOS ANGELES
PENSION SAVINGS PLAN
FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
YEARS ENDED JUNE 30, 2013 AND 2012**

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Plan Administrative Committee of the
County of Los Angeles Pension Savings Plan

Report on the Financial Statements

We have audited the accompanying statements of fiduciary net position of the County of Los Angeles Pension Savings Plan (the "Plan") as of June 30, 2013 and 2012, and the related statements of changes in fiduciary net position for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Plan, as of June 30, 2013 and 2012, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, effective July 1, 2012, the Plan adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2014 on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Plan's internal control over financial reporting and compliance.

Los Angeles, CA
January 15, 2014

Bazilio Cobb Associates, P.C.

**COUNTY OF LOS ANGELES
PENSION SAVINGS PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2013 AND 2012**

This Management's Discussion and Analysis ("MD&A") of the financial activities of the County of Los Angeles Pension Savings Plan (the "Plan") is an overview of its fiscal operations for the years ended June 30, 2013 and 2012. Readers are encouraged to consider the information presented in conjunction with the financial statements and the notes to the financial statements. Amounts contained in this discussion have been rounded to facilitate their readability.

Overview of Financial Statements

The Plan has two financial statements and the notes to the financial statements. The financial statements and the required disclosures are in compliance with the accounting standards and reporting guidelines as set forth by the Governmental Accounting Standards Board ("GASB"), utilizing the accrual basis of accounting.

The financial statements of the Plan are presented on a comparative basis with the previous fiscal year. The Statement of Fiduciary Net Position is a snapshot of account balances at fiscal year-end. This statement reflects assets available for future payments to participants and their beneficiaries and any current liabilities owed at fiscal year-end. The net position available for benefits, which are the assets and deferred outflow of resources, less the liabilities and deferred inflow of resources, reflect the funds available for future benefit payments.

The Statement of Changes in Fiduciary Net Position reflects all the activities that occurred during the fiscal year, and the impact of those addition or deduction activities on the Plan's net position. The trend of additions versus deductions to the Plan can be an indication of the Plan's financial condition over time.

The notes to the financial statements provide a detailed discussion of key policies and activities that occurred during the fiscal year. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

2013 Financial Highlights

- Net position available for benefits, as reported in the Statement of Fiduciary Net Position, total \$138.8 million, a decrease of \$0.06 million or 0.04% from the prior year.
- Total additions, as reflected in the Statement of Changes in Fiduciary Net Position, increased by \$0.45 million due primarily to a \$0.1 million increase in investment income, and a \$0.35 million increase in both employer and participant contributions.
- Total deductions, as reflected in the Statement of Changes in Fiduciary Net Position, increased by \$2.0 million.

**COUNTY OF LOS ANGELES
PENSION SAVINGS PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2013 AND 2012**

2012 Financial Highlights

- Net position available for benefits, as reported in the Statement of Fiduciary Net Position, total \$138.9 million, an increase of \$1.5 million or 1.08% from the prior year.
- Total additions, as reflected in the Statement of Changes in Fiduciary Net Position, decreased by \$0.7 million due primarily to a \$0.1 million decrease in investment income, and a \$0.6 million decrease in both employer and participant contributions.
- Total deductions, as reflected in the Statement of Changes in Fiduciary Net Position, decreased by \$0.1 million.

Financial Analysis

Table 1 – Condensed Statements of Fiduciary Net Position as of June 30, 2013, 2012 and 2011

	2013	2012	2011	2013 - 2012		2012 - 2011	
				Variance	%	Variance	%
ASSETS							
Investments	\$ 137,525,805	\$ 137,505,057	\$ 136,111,977	\$ 20,748	0.02	\$ 1,393,080	1.02
Receivables	1,293,551	1,369,829	1,276,061	(76,278)	(5.57)	93,768	7.35
Total Assets	<u>138,819,356</u>	<u>138,874,886</u>	<u>137,388,038</u>	<u>(55,530)</u>	<u>(0.04)</u>	<u>1,486,848</u>	<u>1.08</u>
LIABILITIES							
-	-	-	-	-	-	-	-
Net Position Available for Benefits	<u>\$ 138,819,356</u>	<u>\$ 138,874,886</u>	<u>\$ 137,388,038</u>	<u>\$ (55,530)</u>	<u>(0.04)</u>	<u>\$ 1,486,848</u>	<u>1.08</u>

Fiscal Year 2013

The Plan's investments increased marginally by \$0.02 million or 0.02% because of investment income of \$0.8 million and a net increase in benefits paid to participants over contributions to the Plan. The increase in investment income is due to returns from stable asset funds. The investments were maintained in the Invesco Stable Asset Fund, which offers capital preservation, diversification, and stable real return consistent with risk tolerance.

Receivables decreased by \$0.08 million or 5.57% because of decrease in the accrual of participant and employer contributions at the end of fiscal year 2013.

As of June 30, 2013, the Plan had \$138.8 million in net position available for benefits compared to \$138.9 million as of June 30, 2012, a decrease of 0.04%. There were no liabilities at June 30, 2013 or 2012, as administrative expenses are borne by the County of Los Angeles.

**COUNTY OF LOS ANGELES
PENSION SAVINGS PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2013 AND 2012**

Fiscal Year 2012

The Plan's investments increased by \$1.4 million or 1.02% because of investment income of \$0.7 million and a net increase in contributions to the Plan over benefits paid to participants. The increase in investment income is due to returns from stable asset funds. The investments were maintained in the SEI Stable Asset Fund from July 1, 2011 to May 31, 2012. Effective June 1, 2012, the funds were transferred to the Invesco Stable Asset Fund. The stable value fund offers capital preservation, diversification, and stable real return consistent with risk tolerance.

Receivables increased by \$0.1 million or 7.35% because of additional accrual of participant and employer contributions at the end of fiscal year 2012.

As of June 30, 2012, the Plan had \$138.9 million in net position available for benefits compared to \$137.4 million as of June 30, 2011, an increase of 1.08%. There were no liabilities at June 30, 2012 or 2011, as administrative expenses are borne by the County of Los Angeles.

Table 2 – Condensed Statements of Changes in Fiduciary Net Position for the Years Ended June 30, 2013, 2012 and 2011

	2013	2012	2011	2013 - 2012		2012 - 2011	
				Variance	%	Variance	%
ADDITIONS							
Contributions	\$ 15,180,889	\$ 14,829,347	\$ 15,439,278	\$ 351,542	2.37	\$ (609,931)	(3.95)
Net investment income	806,577	710,179	758,342	96,398	13.57	(48,163)	(6.35)
Total Additions	15,987,466	15,539,526	16,197,620	447,940	2.88	(658,094)	(4.06)
DEDUCTIONS							
Benefits paid to participants	16,042,996	14,052,678	14,118,055	1,990,318	14.16	(65,377)	(0.46)
Total Deductions	16,042,996	14,052,678	14,118,055	1,990,318	14.16	(65,377)	(0.46)
Net (Decrease) Increase	(55,530)	1,486,848	2,079,565	(1,542,378)	(103.73)	(592,717)	(28.50)
Net Position Available for Benefits, Beginning of Year	138,874,886	137,388,038	135,308,473	1,486,848	1.08	2,079,565	1.54
Net Position Available for Benefits, End of Year	<u>\$ 138,819,356</u>	<u>\$ 138,874,886</u>	<u>\$ 137,388,038</u>	<u>\$ (55,530)</u>	(0.04)	<u>\$ 1,486,848</u>	1.08

Fiscal Year 2013

Contributions to the Plan increased by \$0.4 million or 2.37%, from \$14.8 million in fiscal year 2012 to \$15.2 million in fiscal year 2013. Net investment income increased by \$0.1 million or 13.57%, from \$0.7 million in fiscal year 2012 to \$0.8 million in fiscal year 2013. Benefits paid to participants during the same time period increased from \$14.1 million to \$16.0 million.

**COUNTY OF LOS ANGELES
PENSION SAVINGS PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2013 AND 2012**

Fiscal Year 2012

Contributions to the Plan decreased by \$0.6 million or 3.95%, from \$15.4 million in fiscal year 2011 to \$14.8 million in fiscal year 2012. Net investment income decreased by \$0.05 million or 6.35%, from \$0.76 million in fiscal year 2011 to \$0.71 million in fiscal year 2012. Benefits paid to participants during the same time period decreased from \$14.1 million to \$14.0 million.

Requests for Information

This financial report is designed to provide the Plan Administrative Committee, participants, and other third parties with a general overview of the Plan finances and to show accountability for the Plan's funds. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Los Angeles County Auditor-Controller, 500 West Temple Street, Room 525, Los Angeles, CA 90012-2766.

**COUNTY OF LOS ANGELES
PENSION SAVINGS PLAN
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
ASSETS		
Investments	<u>\$ 137,525,805</u>	<u>\$ 137,505,057</u>
Receivables:		
Participant contributions	811,303	854,381
Employer match	<u>482,248</u>	<u>515,448</u>
	<u>1,293,551</u>	<u>1,369,829</u>
TOTAL ASSETS	138,819,356	138,874,886
LIABILITIES	<u>-</u>	<u>-</u>
NET POSITION AVAILABLE FOR BENEFITS	<u><u>\$ 138,819,356</u></u>	<u><u>\$ 138,874,886</u></u>

The accompanying notes are an integral part of these financial statements.

**COUNTY OF LOS ANGELES
PENSION SAVINGS PLAN
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
YEARS ENDED JUNE 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
ADDITIONS		
Investment income	<u>\$ 806,577</u>	<u>\$ 710,179</u>
Contributions:		
Employer	5,568,745	5,576,077
Participants	<u>9,612,144</u>	<u>9,253,270</u>
	<u>15,180,889</u>	<u>14,829,347</u>
TOTAL ADDITIONS	15,987,466	15,539,526
DEDUCTIONS		
Benefits paid to participants	<u>16,042,996</u>	<u>14,052,678</u>
NET (DECREASE) INCREASE	<u>(55,530)</u>	<u>1,486,848</u>
NET POSITION AVAILABLE FOR BENEFITS		
Beginning of year	<u>138,874,886</u>	<u>137,388,038</u>
End of year	<u><u>\$ 138,819,356</u></u>	<u><u>\$ 138,874,886</u></u>

The accompanying notes are an integral part of these financial statements.

**COUNTY OF LOS ANGELES
PENSION SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 1 DESCRIPTION OF PLAN

The following brief description of the County of Los Angeles Pension Savings Plan (the "Plan") is provided for general information purposes only. Participants should refer to the Plan document for more complete information.

General - The Plan, established in December 1991, is a Section 457 defined contribution plan covering part-time, temporary and seasonal Los Angeles County (the "County") employees who are not eligible to participate in the retirement programs provided through the Los Angeles County Employees' Retirement Association or the Judges Retirement System. The Plan was established in lieu of employee coverage under Social Security.

The operations of the Plan are directed by the Plan Administrative Committee. The assets of the Plan are held in trust by Wells Fargo Bank, N. A., and are valued and administered by Great-West Life & Annuity Insurance Company.

The Plan had 23,670 and 25,588 participant accounts as of June 30, 2013 and 2012, respectively.

Contributions - Participants must contribute to the Plan a minimum of 4.5% of their eligible earnings. Participants may contribute up to an additional 92.5% of their eligible earnings up to a maximum of \$17,500 and \$17,000 for calendar years 2013 and 2012, respectively. Participants within three years of normal retirement age may make contributions up to two times the applicable annual dollar limit. The total maximum annual pretax contribution for participants within three years of normal retirement age was \$35,000 and \$34,000 for calendar years 2013 and 2012, respectively.

The County makes a contribution equal to 3% of compensation for each participant.

Participant accounts - Each participant's account is credited with the participant's contribution, the County's contribution, and the account's pro rata share of investment income. No administrative fee is assessed to the participant's account. The County's departments pay for any administrative expenses incurred by the Plan. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Vesting - Participants are immediately 100% vested in their contributions and the County's contributions plus the earnings thereon.

**COUNTY OF LOS ANGELES
PENSION SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 1 DESCRIPTION OF PLAN (Continued)

Participant loans - Loans to participants are not allowed under the Plan.

Payment of benefits - Upon leaving County employment, the participant has the following options:

- The participant may withdraw all funds in the account in a lump-sum payment.
- If the participant has a balance of more than \$1,000 in the account, the participant may keep the account open, and it will continue to earn interest.
- If the participant believes he/she will work for the County again in the future, the participant may elect to keep the account open for up to 24 months and it will continue to earn interest. If the participant has not returned to County service within 24 months and the account has a balance of \$1,000 or less, the account will be closed and the funds will be disbursed to the participant.
- If the participant begins working for an employer with a similar plan, the participant may transfer the account balance to the new plan.
- The participant may transfer their account balance to an eligible retirement plan that permits rollover contributions.

Additional options are available if the participant is over 50 years of age.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation – The accompanying statements of fiduciary net position and changes in fiduciary net position present only the Plan and are not intended to present the financial position, and changes in the financial position, of the County. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”). The Governmental Accounting Standards Board (“GASB”) Statement is the accepted standard setting body for establishing governmental and financial reporting standards.

Basis of accounting - The financial statements of the Plan are prepared under the accrual basis of accounting in accordance with GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Employee contributions are recognized by the Plan at the time compensation is earned by Plan members and the payments become due from the County government. Investment income is recognized when earned. Benefits are recognized when paid. Other deductions are recognized when due in accordance with the terms of the Plan.

**COUNTY OF LOS ANGELES
PENSION SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the Plan Administrator to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions to and deductions from net position during the reporting period. Actual results may differ from those estimates.

Investment valuation and income recognition - The Plan's investments are in a managed stable asset fund and are stated at contract value, which approximates fair value. The fund also includes a portion of cash to provide liquidity in the event of participant distributions.

Purchases and sales of investments are recorded on a trade-date basis, and interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Employee contributions - Employee contributions are recognized as revenue at the time compensation is earned by Plan members on specified payroll pay dates or when received from other eligible plans.

Payment of benefits - Benefits are recorded when paid.

Tax status - The Plan is an eligible employee deferred compensation plan under Section 457(b) of the Internal Revenue Code.

Reclassifications – Certain prior year balances have been reclassified to conform with the current year presentation. These reclassifications have no effect upon reported net position available for benefits.

Accounting Pronouncements Adopted - In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions, and the Accounting Research Bulletins of the American Institute of Certified Public Accountants' ("AICPA") Committee on Accounting Procedure, issued on or before

**COUNTY OF LOS ANGELES
PENSION SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

November 30, 1989, which does not conflict with or contradict GASB pronouncements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. The adoption of the pronouncement did not have a material impact of the Plan's financial statements.

GASB has issued Statement No. 63, *Financial Reporting of Deferred Outflow of Resources, Deferred Inflow of Resources, and Net Position*. The requirement of this statement standardizes the presentation of deferred inflows and outflows of resources, and their effects on a government's net position. This statement became effective for periods beginning after December 15, 2011. The implementation of this statement to the Plan is limited to renaming of "Net Assets" to "Net Position".

Accounting Pronouncements to be Adopted - GASB has issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The statement is effective for periods beginning after December 15, 2012. The Plan is evaluating the impact of this standard on the financial statements.

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*. The Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. This Statement is effective for financial statements for fiscal years beginning after June 15, 2013. The adoption of the pronouncement is not expected to have a material impact of the Plan's financial statements.

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. The Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. This Statement is effective for fiscal years beginning after June 15, 2014. The adoption of the pronouncement is not expected to have a material impact of the Plan's financial statements.

**COUNTY OF LOS ANGELES
PENSION SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 3 INVESTMENTS

Cash and investment concentrations - Cash and investments of the Plan are invested in the Stable Asset Fund managed by Invesco. The fund consists of a diversified portfolio of investment grade, fixed- and floating-rate securities such as cash, and guaranteed and synthetic investment contracts with underlying collective trust funds. The investments are held by the Plan's trustee, Wells Fargo Bank, N.A. In accordance with Government Accounting Standards Board Statement No. 25 ("GASB 25"), *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contributions Plans as Amended by Government Accounting Standards Board Statement No. 40 (GASB 40) Deposit and Investment Risk Disclosures - An Amendment of GASB Statement No. 3*, the Plan is required to disclose the identification, by amount and issuer, of investments in any one issuer that represent 5% or more of the Plan's net position. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The managed stable asset fund is excluded from this disclosure requirement.

The Plan's investments are subject to the following risks common to investments:

- *Custodial Credit Risk* is the risk that the Plan will not be able to recover the value of its investments if the custodian fails. The Plan's investments are subject to custodial credit risk for 2013 and 2012 because the investments are uninsured and unregistered and are held by the counterparty in the Plan's name.
- *Credit Risk* is the risk that an issuer to an investment will not fulfill its obligations. At June 30, 2013 and 2012, the Plan's investments were in the Invesco Stable Asset Fund and the credit rating of the wrapped holdings were AA+/AA-/AA/A+/A- and AAA/AA+/AA, respectively.
- *Interest Rate Risk* is the risk that changes in interest rates will adversely affect the fair value of an investment. The Plan manages its exposure to declines in fair values by not offering investments that have excessive average maturities.
- *Foreign Currency Risk* is the risk that changes in exchange rates will adversely affect the fair value of an investment in a foreign financial institution. At June 30, 2013 and 2012, the Invesco Stable Asset Fund was comprised only of domestic wrapped securities.

**COUNTY OF LOS ANGELES
PENSION SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012**

NOTE 4 PLAN TERMINATION

The County intends to continue the Plan as negotiated with employees; however, the County reserves the right to terminate the Plan at any time, subject to negotiations with employee representatives. In the event of termination of the Plan, the County shall distribute to the participants, in a lump-sum payment, the balance in the participants' accounts.

NOTE 5 RISKS AND UNCERTAINTIES

The Plan invests in various investment securities that are exposed to various risks such as interest rate, market, and credit risk. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and that such changes could materially affect participants' accounts balances and the amounts reported in the statements of fiduciary net position.

NOTE 6 SUBSEQUENT EVENTS

The Plan Administrator has evaluated events subsequent to June 30, 2013 and through January 15, 2014, the date the financial statements were available to be issued, and determined there have not been any events that have occurred that would require adjustments to the financial statements.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS*.**

To The Members of the Plan Administrative Committee of the
County of Los Angeles Pension Savings Plan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the County of Los Angeles Pension Savings Plan (the “Plan”), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Plan’s basic financial statements, and have issued our report thereon dated January 15, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plan’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Plan’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plan's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the Plan Administrative Committee, management, and the County Board of Supervisors and is not intended to be and should not be used by anyone other than these specified parties.

Los Angeles, CA
January 15, 2014

Bazilio Cobb Associates, P.C.



County of Los Angeles Pension Savings Plan

Independent Accountant's Report on Applying Agreed-Upon Procedures

June 30, 2013



County of Los Angeles Pension Savings Plan

Independent Accountant's Report on Applying Agreed-Upon Procedures

June 30, 2013

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Members of the Plan Administrative Committee of the
County of Los Angeles Pension Savings Plan

We have performed the agreed-upon procedures described in Work Order No. 7-92 by the County of Los Angeles (the "County"), which were agreed to by the Plan Administrative Committee and management of the County, solely to assist you in evaluating certain controls and compliance requirements of the County of Los Angeles Pension Savings Plan (the "Plan") as of and for the year ended June 30, 2013. The County's management is responsible for complying with the requirements of the Plan Administrative Committee. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these agreed-upon procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The Plan is a Section 457 defined-contribution plan covering part-time, temporary, and seasonal County employees who are not eligible to participate in the retirement programs provided through the Los Angeles County Employees' Retirement Association or the Judges Retirement System. The Plan had approximately 23,670 participants and approximately \$138.8 million in net position at June 30, 2013. The Plan has contracted with Great-West Life & Annuity Insurance Company ("Great West") to administer the Plan. The Plan assets are held by an independent trustee, Wells Fargo Bank, N.A. ("Wells Fargo").

The procedures performed and the associated results are as follows:

1. Plan asset reconciliation

Total plan assets are comprised of the Plan's participant and forfeiture subaccount balances. We reconciled total plan assets of \$138,819,356, which include receivables of \$1,293,551 at June 30, 2013, by agreeing the ending market value balance according to the June 30, 2013 quarterly statement provided by Wells Fargo to the total Plan's assets balance according to the annual account summary provided by Great West.

Results

There was no difference arising from the reconciliation.

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2. Investment confirmations

We confirmed all cash accounts and investments with the financial institution that had custody of the funds and investments held under the supervision of Great West. We reconciled the amounts confirmed to the records of Great West.

Results

There was a reconciling difference between the records of Great West and Invesco. The difference was discussed with Great West personnel, and it was determined to be a temporary timing difference that self-corrected.

The reconciled investment and cash balance at June 30, 2013 for the Plan is as follows:

Pension Savings Plan – Great West Account #98996-05

	Assets Per		Difference
	Great West	Invesco	
Stable Asset Fund	\$ 136,892,662		
Forfeiture account	633,143		
Total Investments (assets per Great West)	137,525,805	\$ 137,588,814	\$ (63,009)
Contributions Receivable	1,293,551		
Total Plan Assets	\$ 138,819,356		

3. Investment income

The Plan's investments were maintained in a Stable Asset Fund managed by Invesco. The following reconciliations were performed on the total revenue received from the investment managers:

- We reconciled total investment income for the year ended June 30, 2013 between Great West (record keeper) and Invesco (investment manager).
- We reconciled total investment income for the year ended June 30, 2013 between Wells Fargo (trustee) and Great West.

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3. Investment income (continued)

- We recomputed the investment earnings for a sample of ten (10) participants for the year ended June 30, 2013 to determine whether revenue was properly allocated to the participant accounts.

Results

The following difference was identified from the reconciliation between Great West and Invesco. The difference was due to temporary timing differences that self-corrected.

	Investment Income		Difference
	Great West	Invesco	
Invesco Stable Asset Fund	\$ 806,577	\$ 870,122	\$ (63,545)

No exceptions were noted in the reconciliation between Wells Fargo and Great West, or in the recomputation of investment earnings for the sample selected.

4. Forfeiture subaccount withdrawals

Under Great West, a forfeiture account is set up for stale-dated checks. We verified that there were no fees charged to the account during the year ended June 30, 2013.

5. Charges to participant accounts for deposit into forfeiture subaccounts

Not applicable to the Plan.

6. New loans

Not applicable to the Plan.

7. Late and defaulted loans

Not applicable to the Plan.

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8. Loan Changes

Not applicable to the Plan.

9. Outstanding loans of separated participants

Not applicable to the Plan.

10. Hardship withdrawals

Not applicable to the Plan.

11. Termination pay deferrals

Not applicable to the Plan.

12. Participant withdrawals and distributions

A sample of sixty (60) participants receiving a distribution during the year ended June 30, 2013, was selected from Great West's Annual Distribution Report. Types of distributions in the population sampled included payments to beneficiaries upon the participant's death, separation of service withdrawals, retirement withdrawals, minimum required distributions, and disability withdrawals. For each of the 60 participants selected, we performed the following:

- We agreed the distribution to supporting payment documents from Great West.
- For each distribution selected for testing, we vouched to evidence of the distribution approval, including benefit election forms, evidence of age and employment, and dates of service.
- We recomputed distribution amounts based on the participant's eligibility requirements and Plan provisions.
- We recalculated the federal and state tax withholding amounts, if applicable, to ensure compliance with the Plan document and applicable tax laws.

Results

No exceptions were noted.

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13. Amounts held in suspense

The suspense activity records at the end of each month for the year ended June 30, 2013 were reviewed to determine whether amounts held in suspense and unapplied to participant accounts were resolved timely and cleared within a reasonable time period.

Results

No exceptions were noted.

14. Participant investment selections

Not applicable to the Plan.

15. Controls over participants' eligibility

We selected sixty (60) active participants from the monthly Great West Participant Summary Report to verify eligibility and performed the following:

- For each participant selected, we agreed that County's personnel records matched the participants records held by Great West.
- For each participant selected, we reviewed the County's human resources employee file to determine the participant's employment status and classification to verify their eligibility with the Plan document.

Results

No exceptions were noted.

16. Compliance of County contributions

We selected sixty (60) active participants from the monthly Great West Participant Summary Report and performed the following:

- For each participant selected, we agreed the County's contributions from the County Employee Sequence Register (payroll records) to Great West's records for the pay periods ended October 15, 2012, December 31, 2012, April 15, 2013, June 15, 2013, and June 30, 2013. We reviewed Great West's records and the County's payroll records to determine compliance with the County contribution policy guidelines for the year ended June 30, 2013 of 3% of participants' monthly compensation.

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16. Compliance of County contributions (continued)

- We recalculated the County's contributions and agreed them to the County payroll records for each participant for the pay periods ended October 15, 2012, December 31, 2012, April 15, 2013, June 15, 2013, and June 30, 2013.

Results

No exceptions were noted.

17. Employee vesting percentages

Balances are 100% vested at all times.

18. Employee forfeitures

Not applicable to the Plan.

19. Stale-dated checks and lost participants

Each quarter, Great West reviews the uncashed checks that have been outstanding for 180 days or more, and attempts to contact recipients to notify them of the option to reissue checks. On a quarterly basis, Great West also takes those checks that are still outstanding one year after the initial issue date and transfers the balance, less a \$15 fee, to a stale-dated check forfeiture sub-account.

A sample of ten (10) stale-dated checks greater than 180 days old were selected from the stale-dated checks worksheet provided by Great West. We vouched the amounts to the notice letters sent to participants; reviewed the notice letters to determine the accuracy of the information; and examined supporting evidence for the reissuance of the checks or transfers of the amount, net of the fees, to the check forfeiture sub-account.

Results

No exceptions were noted.

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20. Reconciliation procedures

We performed the following procedures to determine whether the reconciliation of the Plan's bank accounts and participant ledgers were in place:

- A non-interest bearing lockbox (depository) account is maintained for the purpose of receiving the Plan's contributions and transfers-in. On a daily basis, funds in the lockbox account are transferred to a non-interest bearing concentration (demand deposit) account for the purposes of efficient administration and effective control of all disbursements from and transactions in the Plan. We obtained and inspected reconciliations of the lockbox and concentration accounts performed by Great West during the year ended June 30, 2013 for the months of August 2012, December 2012 and June 2013. Where applicable, we reviewed the reconciling items and ensured that the balances at the end of each month were in agreement with the ledgers and bank statements.
- Each month, earnings in many of the individual forfeiture accounts are swept to the Float Interest Earnings forfeiture account. These earnings are used to offset the Plan's Administrative charges. We obtained and inspected the sweep analysis and the reconciliations for the months of August 2012, December 2012, and June 2013 prepared by Great West and noted that the current month's float interest allocation to the Float Interest Earnings account was made based on the proportionate share of the Plan's prior month's earnings. We recalculated the float interest allocated based on this methodology and noted no exceptions. Where applicable, we reviewed the reconciling items and ensured that the balances at the end of each month were in agreement with the ledgers and bank statements.
- We agreed the bank charges as reflected on Wells Fargo's August 2012, December 2012, and June 2013 Relationship Summary (bank statement), which included bank charges for the Plan, to the bank charges according to the Fee Schedule that Wells Fargo provided Great West for the months of July 2012, December 2012, and June 2013.

Results

No exceptions were noted.

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21. Contribution limitations

The Plan allowed participants to make pre-tax contributions up to a maximum of \$17,500 and \$17,000 for calendar years 2013 and 2012, respectively. Participants within three years of normal retirement age may make pre-tax contributions up to two times the applicable annual dollar limit. The total maximum annual pretax contribution for participants within three years of normal retirement age was \$35,000 and \$34,000 for calendar years 2013 and 2012, respectively.

To ensure compliance with these limits, we recalculated the maximum annual allowable contribution and compared it with the annual contribution made for each employee.

Results

We noted that there were no participants who contributed an amount in excess of the calendar year contribution limits.

22. Excessive trading Plan provisions

Not applicable to the Plan.

23. Transfers into Bank Depository Fund

Not applicable to the Plan.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on certain controls and management's compliance with requirements of the County of Los Angeles Pension Savings Plan. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified users of the report as listed above and is not intended to be and should not be used by anyone other than these specified parties.

Los Angeles, CA
January 15, 2014

Bazilio Cobb Associates, P.C.